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Argentina

Wine Competition

Annual

2000

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Report Highlights:
Argentine wine production in 2000 is forecast by the National Wine Institute at 13.8 million hectoliters, down 13 percent from the previous year's level due to poor weather. However, wine exports in 2000 are anticipated to increase nearly 25 percent, as high carry in stocks and demand support trade volume.

Includes PSD changes: Yes
Includes Trade Matrix: Yes
Annual Report
Buenos Aires [AR1], AR

Executive Summary

Argentina is the fourth largest wine producer in the world, and the largest in the Southern Hemisphere. Grapes for wine are harvested from April through May. Total Argentine wine production in the year 2000 is estimated to reach 13.8 million hectoliters, down nearly 13 percent from the previous year. Mendoza and San Juan account for 90 percent of the country's total output. Wine exports in 2000 are anticipated to increase, due to the expected greater wine supplies (production plus stocks).

SECTION I. SITUATION AND OUTLOOK

Production

The main grape producing provinces in Argentina are Mendoza, San Juan and to a lesser extent Rio Negro and Salta. According the National Wine Institute, area planted to vine during 1999 in Argentina was 208,137 hectares, divided as follows: Mendoza 142,275 hectares, San Juan 47,506 hectares, and the other provinces 18,356 hectares. Nearly 26 percent of the grape harvest is used for fine wines and the rest of the production is used for the elaboration of different types of table wines. It should be kept in mind that for table wines nearly 74 of the internal demand is directed towards fine wines, 23 percent towards red wines and the remainder for rose. According to the same source, during 1999 there were 31,552 vineyards in Argentina, of which Mendoza accounted for 56 percent, San Juan with 23 percent and the other provinces including La Rioja and Rio Negro with 21 percent. New varieties planted are Malbec, Cabernet Sauvignon, Sirah as well as Chardonnay and Merlot.

Argentina has diverse soils and climate which allows producers to obtain several types of grapes for manufacturing different types and tastes of wine. Total Argentine wine production in 2000 is forecast by the National Wine Institute (NWI) at 13.8 million hectoliters, down nearly 13 percent from last year's level due to poor weather (hail storms, followed by excessive rains in February) which adversely affected this season's crop. The most affected were the smaller producers; with their weak financial situation, they could not afford to buy the necessary inputs to maintain their vineyards in good condition, and production was reduced. In general, the fruit is of good quality.

Consumption

During the last couple of years, more than 60 percent of the Argentine demand was for red wine in contrast to white wines, an important shift to the former in recent years. It is said that this change was brought about in Argentina by a French doctor who stated that people drinking two glasses of good red wine had a better possibility of living longer than those drinking white wines. The same is said to have happened in the United States, and thus the Argentine trend for wine exports in the future to that destination will be for red wines.

Ten years ago the average foreign demand for wines was 60 percent for white wines and 40 percent for red wines. In recent years this average has changed tremendously and the average is currently 70 percent for red wines and 30 percent for whites. Also, due to curiosity, the Argentine middle class tried French wines of lower price, but have not spent money on that wine since then as less expensive Argentine wines have better taste. High income class Argentines can afford to buy very expensive French or other foreign wines, but of course, these are a minor group and do not account for a large portion of the general consumption of wines. Per capita consumption for 1999 (with comparable data for 1998 in parenthesis) of soft drinks, wine, beer and other alcoholic beverages, in liters, is as follows: soft drinks 71.2 (60.7); wine 38.0 (36.9), beer 26.9 (26.5 others alcoholic beverages 2.0 (1.8).

Exports

The reduction of wine shipments in 1999 was due to adverse weather for the crop in 1998, and less wine purchased by Japan as a result of their high wine stocks reflecting the Asiatic crisis. During 1999, Argentina exported 880.5 thousand hectoliters (hl) of wine**,** worth at US$ 117,202.7 thousand**.** Table wine amounted to 421.l thousand hl; (US$ 27.448.1 thousand) fine wine at 446 hl; (US$ 86.719.9); sparkling wine 8.7 thousand hl. (US$ 2,752.3 thousand) and others 4.5 thousand hl. (US$ 282.5). Argentine wine exports in 2000 are anticipated to expand by 25 percent as the number of exporting wineries in Argentina have increased. Reportedly, in 1997 there were approximately 10-15 exporting wineries; currently there are 40. There has been a lot of internal and foreign investments and as explained in the area section, old plants have been uprooted and new fine wines variety plants have been planted. The internal and foreign markets are demanding good quality wines.

Imports

The opening of the economy that facilitated the importation of Argentina foreign technology, also permitted the importation of foreign wines. The import market demands good quality red wines. During CY 1999 Argentina imported 96,456 hectoliters of wine with Chile accounting for 65 percent of total imports, followed by Spain and France. Foreign import markets have increased their demand for good Argentine wines. Therefore, Argentina has to improve the quality of its wines, in order to hold market share. For example, the Chilean champagne with strawberry pulp is imported at a very low price or at a very high price. A person who bought the low priced one would not buy it again, as with that money he could have bought a very good quality champagne.

Table Grape Production

The National Wine Institute recently published 1999 total grape production at 2,424,986 metric tons of grapes, up 21 percent from the 1998 weather reduced crop. From that volume, 55 percent was produced in Mendoza, 28 percent in San Juan and the rest in other provinces. From the 1999 total grape production, 97 percent was destined to wine manufacturing. The varieties most used are Cardinal, California, White and Rose Moscatel, Alfonso, Italia, and Red Globe. The new varieties just coming into production are Ribier, Royal Seed and Ruby, although Red Globe is also increasing. According to the Secretariat of Agriculture, Argentine table grape production in 1999 totaled 69,156 metric tons, up 39 percent for a year earlier, and is forecast at 66,000 metric tons for 2000.

Table Grape Imports

During CY 1999 Argentina imported 5,157 metric tons of fresh grapes from the following countries (with 1998 imports in parenthesis): Brazil 3,882 (1,875), Chile 1,269 (1,285) Uruguay 6 (0), for a total import value of US$ 5.0 million (US$ 3.9). Argentine fresh grape imports in 2000 are forecast at 5,800 metric tons.

Table Grape Exports

Shipments of Argentine fresh grapes during 1999 totaled 21,780 versus 17,589 metric tons shipped during the previous season. Belgium accounted for 57 percent of total exports, valued at US$ 17 million. During the same period the U.S. exported 1,362 metric tons, valued at US$ 2.2 million. Argentine fresh grape shipments in 2000 are forecast at 23,000 metric tons.

SECTION II. NARRATIVE ON SUPPLY AND DEMAND, POLICY AND MARKETING

Policy

Grape wine (HTS Code 2204) pays a 23 percent import tax, plus a 0.5 statistical tax, and receives a 10 percent export rebate. The same applies to wine coolers (HTS Code 2206) but vermouth and other aromatized wines (HTS Code 2205) pay the same taxes, but the rebate is 12.0 percent e.g. for sparkling wine with strawberries.

Fresh table grapes have a 13 percent import duty plus 0.5 percent of statistical tax, and receive an export rebate of 5.4 percent. As those for wine, this "rebate" is not considered to be an export subsidy, since its purpose is to give back to producers part of the taxes incurred prior to the exportation of the product.

Argentina's convertibility plan, launched in April 1991, continues as the exchange rate still remains at 1:1 to the dollar. However, while the economy is recovering fairly quickly from the effects of the Tequila crisis of 1995, Argentina is finding it harder to return to a strong growth path in the current economic environment after successive shocks from East Asia, Russia and Brazil.

SECTION III. STATISTICAL INFORMATION

Table 1. Wine Supply and Distribution

PSD Table						
Country:	Argentina					
Commodity:	Wine					
		1998		1999		2000
	Old	New	Old	New	Old	New
Market Year Begin		01/1997		01/1998		01/1999
TOTAL Grape Crush	0	0	0	0	0	0
Begin Stock (Ctrl App)	0	0	0	0	0	0
Begin Stock (Other)	0	0	0	0	0	0
TOTAL Beginning Stocks	0	18,708	0	17378	0	19554
Prod. from Wine Grapes	0	0	0	0	0	0
Prod. from Tabl Grapes	0	0	0	0	0	0
TOTAL PRODUCTION	0	12,636	0	15,887	0	13,800
Intra-EU Imports	0	0	0	0	0	0
Other Imports	0	0	0	0	0	0
TOTAL Imports	0	84	0	97	0	97
TOTAL SUPPLY	0	31428	0	33362	0	33451
Intra-EU Exports	0	0	0	0	0	0
Other Exports	0	0	0	0	0	0
TOTAL Exports	0	1074	0	880	0	1,100
Dom.Consump(Cntrl App)	0	0	0	0	0	0
Dom.Consump(Other)	0	0	0	0	0	0
TOTAL Dom.Consumption	0	12976	0	12,928	0	13,000
End Stocks (Cntrl App)	0	0	0	0	0	0
End Stocks (Other)	0	0	0	0	0	0
TOTAL Ending Stocks	0	17378	0	19,554	0	19,351
TOTAL DISTRIBUTION	0	31428	0	33362	0	33451

Table 2. Wine Imports

Import Trade Matrix			
Country:		Units:	Hectoliters
Commodity:			
Time period:			
Imports for	1998		1999
U.S.	737	U.S.	920
Others		Others	
Germany	8683	Germany	7.632
Belgium	108	Australia	36
Chile	50,189	Chile	62,455
Spain	7,052	Spain	10,466
France	14,055	France	10,463
Israel	274	Israel	426
Italy	2,656	Italy	2,879
Mexico	9	Portugal	601
Portugal	617	Uruguay	577
South Africa	90		
Total for Others	83733		96,456
Others not listed	153		0
Grand Total	84623		96,456

Table 3. Wine Prices

Prices Table					
Country:					
Commodity:					
Year:	CY				
Prices in (currency)	pesos	per (uom)	wholesale hl.		
Year	1998	1999	% Change		
Jan	23.56	34.32	45.7%		
Feb	23.9	35.18	47.2%		
Mar	33	32.8	-0.6%		
Apr	17	28.15	65.6%		
May	30.51	26.81	-12.1%		
Jun	31.06	24.01	-22.7%		
Jul	33	21.11	-36.0%		
Aug	33.01	22.35	-32.3%		
Sep	34.01	21.44	-37.0%		
Oct	33.99	21.85	-35.7%		
Nov	33.88	21.32	-37.1%		
Dec	32.74	21.36	-34.8%		

Table 4. Table Grapes Supply and Distribution

PSD Table						
Country:	Argentina					
Commodity:	Fresh Table Grapes					
		1998		1999		2000
	Old	New	Old	New	Old	New
Market Year Begin		01/1998		01/1999		01/2000
Area Planted	0	0	0	0	0	0
Area Harvested	0	0	0	0	0	0
Commercial Production	96800	49,578	120000	69,156	0	66,000
Non-Comm. Production	0	0	0	0	0	0
TOTAL Production	96800	49578	120000	69156	0	66000
TOTAL Imports	3006	3,223	2500	5,157	0	5,800
TOTAL SUPPLY	99806	52801	122500	74313	0	71800
Domestic Fresh Consump	73556	20,500	90500	25,000	0	25,000
Exports, Fresh Only	12250	17,589	14000	21,780	0	23,000
For Processing	14000	14,712	18000	27,533	0	23,800
Withdrawal From Market	0	0	0	0	0	0
TOTAL UTILIZATION	99806	52801	122500	74313	0	71800

Table 5. Table Grape Imports

Import Trade Matrix			
Country:		Units:	M. Tons
Commodity:			
Time period:			
Imports for	1998		1999
U.S.	0	U.S.	0
Others		Others	
Brazil	1,875	Brazil	3,882
Chile	1,285	Chile	1,269
Uruguay	0		6
Spain	0		0
Total for Others	3,160		5,157
Others not listed	63		0
Grand Total	3,223		5,157

Table 6. Table Grape Exports

Export Trade Matrix			
Country:		Units:	M. tons
Commodity:			
Time period:			
Exports for	1998		1999
U.S.	486	U.S.	1,362
Others		Others	
Belgium	9,531	Belgium	12,439
Netherlands	2,645	Netherlands	3,185
Brazil	2,277	Brazil	1,607
Canada	1,360	Canada	1,569
Total for Others	15,813		18,800
Others not listed	1,290		1,618
Grand Total	17,589		21,780

Table 7. Table Grape Prices

Prices Table					
Country:					
Commodity:					
Year:	CY				
Prices in (currency)	pesos	per (uom)	kilos		
Year	1998	1999	% Change		
Jan	0.65	0.64	-1.5%		
Feb	0.68	0.62	-8.8%		
Mar	0.66	0.8	21.2%		
Apr	0.65	0.8	23.1%		
May	1.17	1.05	-10.3%		
Jun	1.39	1.13	-18.7%		
Jul	2.01	1.51	-24.9%		
Aug	2.11	1.67	-20.9%		
Sep	2.25	1.56	-30.7%		
Oct	2.21	1.61	-27.1%		
Nov	1.94	1.65	-14.9%		
Dec	1.44	1.8	25.0%		